

MINUTES OF THE
MEETING OF THE PENSION OVERSIGHT COMMISSION
June 15, 2018

A meeting of the Pension Oversight Commission (POC) for the Howard County Retirement Plan and the Howard County Police and Fire Employees' Retirement Plan was held Friday, June 15, 2018 at 9:00 a.m. in the Belair room of the Ascend One Building at 8930 Stanford Blvd. Columbia, MD 21045. Members also participated via conference call. Present in person and on the phone for all or part of the meeting were the following voting members of the Commission:

Ken Barnes
Todd Snyder
Mitchell Stringer

Peter Hong was absent. Also present for all or part of the meeting were Cynthia Peltzman from the Office of Law, Janssen Evelyn, Wanda Hutchinson, Janet Irvin, John Peterson and Rich Ruehl from the Joint Retirement Plan subcommittee and Scott Southern from the Office of Human Resources.

Mr. Snyder chaired the meeting and Mr. Southern served as secretary.

The meeting was called to order at 9:05 a.m. After a brief introduction of all parties present or on the phone Mr. Snyder summarized the purpose of the meeting, to read through the eight recommendations that the commission would be making in their annual report and have a discussion with the Retirement Plans Subcommittee about the topics presented.

The first recommendation was that the Pension Oversight Commission would like to receive a full policies and procedures manual that the plans are using. The manual would also include policies and procedures in relation to any third-party administrators the plan utilizes.

The next recommendation was regarding the procedures of the investment monitoring policy specifically with alternative investments. Mr. Snyder expressed that the commission would like to be kept in the loop about if the policy is adopted.

The POC moved on to investment return assumption. They feel that there should be a more frequent evaluation of the reasonableness of the investment return assumption. They understand that the actuaries perform an experience study every four years but with markets changing all the time they feel it should be looked at more often. The POC also recommended that the county should hire a third party to evaluate the plans investments and render an

opinion on the reasonableness of the assumption. Mr. Peterson pointed out that the actuaries do look at the investments and analyze the assumption. Mr. Snyder felt that Bolton does not give an opinion. Mr. Peterson cited the last experience study in 2014 where Bolton did recommend the lowering of the assumption which consequently happened. Mr. Snyder asked to see a copy of the experience study recommendation later if it was easy to retrieve. Mr. Barnes stated that the actuaries are just looking at Summits investment performance information which could be a conflict since Summit has stake in the game.

Mr. Peterson pointed out that investment returns have been in line the assumption for the trailing one, five and ten-year time frame.

The commission pointed out that the plan was doing very well with higher funding levels than most in their peer universe and commends the county for never missing a contribution or "taking a contribution holiday." However, they do feel the current assumption is too high. Mr. Barnes cited summits expected return over the last ten years as being 6.25%

Ms. Irvin asked what the POC hoped would be gained by having another third-party opinion. The POC would like an unbiased pure investment return evaluation.

Mr. Snyder moved the meeting along to the fourth recommendation addressing the limitations of the POC's oversight of alternative investments. The commission is not allowed to participate in closed meetings and are not provided the minutes of the closed meetings where certain alternative investments are being discussed. They feel that this provides a gap in their oversight function. Mr. Peterson commented that the POC does know who the investment advisors are and what their returns are. Mr. Snyder stated that private equity funds are not transparent and he works with these types of investments all the time. Mr. Barnes stated the hedge funds "crash and burn all the time." The commission would just like the opinion of the county council to see if they should provide oversight for this type of investment.

The next recommendation was that the POC has limitations to the access of general information regarding the plans. The commission feels that they do not always receive the information requested and if they do it is not always in a timely manner. A discussion arose around what information was not being provided. It was explained that representatives of the Office of Human Resources work to provide the members of the POC with any information that is requested to produce their annual report. Some information must be requested through the third part administrators and is provided as soon as it becomes available. Mr. Snyder stated that he has received responses in the past that providing certain information would be time consuming and costly or that the request was only coming from him and not the whole commission.

Ms. Peltzman commented that a request made by the POC to the RPC would be treated in the same manner as any request made through the Public Information Act. She suggested that the recommendation be modified to request more statutory authority when obtaining requested information.

The sixth recommendation surrounded the governance of the plan. The commission believe a third party should be hired to evaluate the governance of the plan. They want to know if the plan should be run by committee or an administrator and if best business practices have been adopted. Ms. Hutchinson advised that governance is a topic the retirement committees do often discuss.

The next recommendation is to obtain more information about the plans third party administrators. They would like to know how administrators are selected, procured, monitored and evaluated. The discussion led right into the last recommendation about finding out how the retirement plans auditor was selected. The commission feels that the retirement plan committees may want to select their own auditor. Mr. Evelyn stated that the auditor is selected by the County Council for the county audit. The commission feels the retirement plan committee should evaluate whether the auditor selected is correct for the purpose of auditing a retirement plan along with the cost difference if they were to select a different auditor. Mr. Ruehl was in agreement that the committee should have a say when evaluating and selecting an auditor.

There was a brief stoppage at 10:16am so Mr. Southern could retrieve a copy of the experience study discussed during the third recommendation. Mr. Southern returned with the 2014 experience study performed by Bolton Partners highlighting section 7 (Investment Rate of Return Assumption) It was pointed out that Bolton Partners did make a recommendation to change the assumption from 7.75% to 7.5%. The Commission still feels that there needs to be an additional third party to evaluate the assumption. Mr. Stinger feels that there is too much money involved to have one entity giving advice.

The commission confirmed that they want to have two more scheduled meetings on June 22 and 29 2018. The subcommittee asked if they would be provided with copies of the draft to review. Mr. Snyder was uncomfortable about providing copies. He felt that the discussion was very helpful and they make some modifications based on the comments the commission has received.

With no further issues to discuss, the meeting was adjourned at 10:48 a.m.

Respectfully Submitted,

Scott Southern,
Office of Human Resources